



August 9, 2002

Mary Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station – 2<sup>nd</sup> floor  
Boston, MA 02110

Subject D.T.E. 02-40 – Investigation into Provision of Default Service

The Massachusetts Energy Consumer Alliance (Mass Energy) greatly appreciates the opportunity to comment on this proceeding regarding default service. Aside from this letter, Mass Energy is signing onto a statement that you will receive from a coalition of organizations concerned about default service provisions for renewable energy. We, along with our coalition partners, are most concerned about regulations covering the Renewable Portfolio Standard. But in addition to the points made in that document, Mass Energy would like to go on record with the following comments:

**Are Cost Savings Possible for Small Consumers?**

According to NSTAR's data, forty percent of their residential customers have an energy bill less than \$18. Given this information, and knowing the very slim margins available to competitive suppliers, Mass Energy is doubtful that small consumers will be able to benefit from cost savings through competitive power offerings, unless those small consumers are given the opportunity to participate in a municipal aggregation or community choice program. We urge D.T.E. to provide greater assistance to communities wishing to explore the municipal aggregation model. (We also believe that municipal aggregation has significant potential environmental benefits because of what it can offer in terms of renewable energy and more energy efficiency programming options.)

As a related aside, for those small consumers who have large bills, we believe the best route to savings for them, and for society as whole, is through energy efficiency. So once again, we urge D.T.E. to focus even more on how to improve the state's energy efficiency programs. By improving the energy efficiency practices of large users, we can reduce market clearing prices as well as fossil fuel use.

### **Assignment of Default Service Customers to “Competitive” Suppliers**

Mass Energy has serious reservations about this approach and is in substantial agreement with the opinions that will be expressed by the Attorney General and Jerrold Oppenheim on this issue.

### **Customer Choice for Green Power**

Mass Energy currently operates a heating oil buying group serving almost 7000 households in Massachusetts. As mentioned, we do not believe that it is possible for us, or anyone else, to effectively aggregate electricity consumers in a similar fashion for the purpose of achieving cost savings. However, we are more optimistic about the potential for green power consumer aggregation. We believe that there are significant societal benefits to be achieved by encouraging consumer demand for renewable energy. Those benefits include environmental improvements, local economic development, and lower market clearing prices for fossil fuels.

With financial assistance from the Mass. Technology Collaborative and the John Merck Fund, we hope to enter the retail market for green power. As such, we hope that D.T.E. would consider targeted approaches to encouraging a relatively small percentage, in the short-term, of consumers to purchase green power products, rather than using the blunt instrument of assigning 100% of all customers to a “competitive” supplier. These targeted approaches would involve consumer education and regulations geared to the green power market. Specifically, we suggest that the Commonwealth consider altering the electricity pricing structure by reallocating a portion of the “customer charge” which consumers currently pay directly to the DISCO to incorporate it into the default service price. Under this model, the default service rate would more accurately and fairly reflect the true cost of providing supply service to a customer, and it would appropriately direct a portion of “customer charge” revenue to the new entity that is providing a supply service. The total amount billed to the customer would stay the same. Once again, Mass Energy’s primary consideration in this regard is to support municipal aggregators and green power suppliers. We are optimistic that consumer demand for green power will grow slowly, but steadily, over time if given a regulatory support.

Thank you again for providing us with this opportunity to comment.

Sincerely,

Larry Chretien  
Executive Director